

Message Text

LIMITED OFFICIAL USE

PAGE 01 KARACH 02565 260645Z

15

ACTION NEA-10

INFO OCT-01 ISO-00 PA-01 PRS-01 USIA-06 AGR-05 CIAE-00

COME-00 EB-07 INR-05 LAB-04 NSAE-00 RSC-01 SP-02

STR-01 TRSE-00 SWF-01 CIEP-01 FRB-01 OMB-01 AID-05

NSC-05 SS-15 CEA-01 /074 W

----- 034991

R 260448Z DEC 74

FM AMCONSUL KARACHI

TO SECSTATE WASHDC 8568

INFO AMCONSUL BOMBAY

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMCONSUL LAHORE

AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE KARACHI 2565

E.O. 11652: N/A

TAGS: EPAP, ETRD, PK, IN

SUBJECT: INDIAN COTTON DELEGATION VISITS PAKISTAN

REF: NEW DELHI 16104 (NOTAL)

SUMMARY: SUBSEQUENT TO AGREEMENT ON RE-ESTABLISHMENT OF BILATERAL TRADE, A DELEGATION OF INDIAN OFFICIALS VISITED PAKISTAN FOR THREE DAYS IN LATE DECEMBER TO PURCHASE RAW COTTON FOR USE BY INDIAN TEXTILE INDUSTRY. WHILE NEGOTIATIONS DID NOT RESULT IN A SPECIFIC COMMERCIAL TRANSACTION, SOME SIGNIFICANT AGREEMENTS WERE REACHED ON TERMS AND CONDITIONS, AND THERE APPEAR TO BE GOOD PROSPECTS FOR A SIZEABLE TRADE DEAL AT A SECOND ROUND OF NEGOTIATIONS SCHEDULED IN THE NEAR FUTURE IN DELHI. END SUMMARY

1. BEGIN UNCLASSIFIED. A 6-MAN INDIAN COTTON PURCHASE DELEGATION VISITED KARACHI DECEMBER 19 THROUGH DECEMBER 22, 1974, AS A FIRST CONCRETE FOLLOW-UP TO NORMALIZATION OF TRADE RELATIONS BETWEEN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KARACH 02565 260645Z

INDIA AND PAKISTAN WHICH WAS FINALIZED NOVEMBER 30, 1974, AND

REPORTED REFTEL. DELEGATION WHICH WAS LED BY INDIAN TEXTILE COMMISSIONER, S. K. BAGCHI, MET FOR 3 DAYS IN KARACHI WITH OFFICIALS OF GOP-OWNED COTTON EXPORT CORPORATION (CEC). DESPITE ORIGINAL OPTIMISM BASED ON PAKISTAN'S LARGE SURPLUS AND INDIA'S EXPECTED COTTON CROP SHORTFALL, THE VISIT BY THE INDIAN DELEGATION HAD NO IMMEDIATE CONCRETE RESULTS. JOINT PRESS RELEASE ISSUED AT TERMINATION OF VISIT CONCLUDED WITH FOLLOWING STATEMENT: "BOTH SIDES AGREED THAT THE TALKS, WHICH WERE HELD IN A WARM AND CORDIAL ATMOSPHERE, HAD BEEN VERY USEFUL, AND THAT THERE EXISTED EXTREMELY GOOD PROSPECTS FOR TRADE IN COTTON BETWEEN THE TWO COUNTRIES. THE TWO DELEGATIONS DISCUSSED IN DEPTH THE TECHNICAL ASPECTS INVOLVED FOR ANY FUTURE TRADING IN COTTON AND AGREED TO MEET AGAIN."

2. CONGEN OFF CONTACTED OFFICIAL OF CEC TO ASCERTAIN REASONS FOR APPARENT LACK OF SUCCESS OF VISITING COTTON PURCHASE DELEGATION. NBCEC OFFICIAL SAID THAT THE PRESS RELEASE "SPEAKS FOR ITSELF" AND HE PREFERRED NOT TO ELABORATE ON IT. WHEN ASKED IF AGREEMENT HAD BEEN MADE TO MEET AGAIN IN FUTURE FOR FURTHER SALES NEGOTIATIONS CEC OFFICIAL SAID AGREEMENT HAD BEEN MADE TO MEET AGAIN BUT NEITHER A TIME NOR PLACE HAD BEEN FIXED. HE FURTHER NOTED THAT THE INDIAN DELEGATION HAD ADMITTED THAT THEY WOULD BE REQUIRING COTTON THIS YEAR BUT STILL APPEARED UNCERTAIN AS TO WHAT QUANTITIES THEY WOULD NEED. THIS AND THE LACK OF SHIPPING FACILITIES BETWEEN PAKISTAN AND INDIA WERE, ACCORDING TO CEC OFFICIAL, MAIN REASON FOR INCONCLUSIVE RESULT. END UNCLASSIFIED.

3. BEGIN LIMITED OFFICIAL USE. INFORMED PRIVATE SOURCE REPORTED THAT ALTHOUGH NO CONCRETE SALE RESULTED FROM THE VISIT OF THE INDIAN DELEGATION, SUBSTANTIAL PROGRESS LEADING TO COTTON TRADE WAS MADE. SPECIFICALLY, AGREEMENT WAS REACHED BETWEEN THE TWO GROUPS A) TO UTILIZE LIVERPOOL QUALITY ARBITRATION INSTEAD OF ARBITRATION BY THE EAST INDIAN COTTON ASSOCIATION, AS HAD BEEN DEMANDED BY THE INDIAN DELEGATION AT THE OUTSET, B) TO CARRY OUT ALL BUSINESS ON A 100 PERCENT LETTER OF CREDIT BASIS AND C) TO BASE ALL TRADE STRICTLY ON CONVERTIBLE FOREIGN EXCHANGE, MOST LIKELY DOLLARS. SOURCE ALSO RELAYED REPORT THAT A PAK DELEGATION IS SCHEDULED TO PAY A RETURN VISIT TO DELHI, PROBABLY IN LATE DECEMBER, AND THAT CONCRETE SALES WOULD MOST LIKELY RESULT. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 KARACH 02565 260645Z

4. OKR SOURCE POINTED OUT UTTER LOGIC OF INDIAN PURCHASE OF PAKISTAN COTTON SINCE INDIAN TEXTILE INDUSTRY LONG FAMILIAR WITH PAK COTTON VARIETIES AND REQUIRES SIZEABLE COTTON IMPORTS THIS YEAR, WHILE PAKISTAN HAS LARGE EXPORTABLE SURPLUSES. FURTHERMORE GEOGRAPHIC PROXIMITY WOULD REDUCE TRANSPORT COSTS TO VERY LOW LEVEL. SOURCE ALSO MENTIONED POSSIBILITY OF INDIAN PURCHASES ON BEHALF BANGLADESH SO LONG AS FORMAL TRADE RELATIONS BETWEEN THAT

COUNTRY AND PAKISTAN REMAIN SUSPENDED. IT WAS POINTED OUT THAT ONE MEMBER OF THE INDIAN DELEGATION WAS A REPRESENTATIVE (BRITISH NATIONAL) OF ONE OF INDIA'S LARGEST PRIVATE TEXTILE MILLS (TOM WILD OF HARVEY MILLS) AND THAT HIS PRESENCE SUGGESTED AN INTENTION OF PART OF INDIAN DELEGATION TO ACTUALLY FINALIZE COTTON PURCHASES DURING THE VISIT. OUR SOURCE NOTED THAT THE INDIANS WERE SEEKING TO BUY MORE COSTLY NEW COTTON CROP ALTHOUGH THE CEC STILL HAS APPROXIMATELY 200,000 BALES OF CHEAPER OLD CROP AVAILABLE. ALTHOUGH WE UNDERSTAND PAKS ARE BEING "REALISTIC" IN PRICING POLICIES, IT IS POSSIBLE INDIANS ARE BARGAINING HARD IN VIEW AGGRAVATED SURPLUS SITUATION.

5. COMMENT: ALTHOUGH TRADE BETWEEN INDIA AND PAKISTAN HAS BEEN OFFICIALLY BANNED SINCE 1965, IT HAS CONTINUED TO TAKE PLACE IN LIMITED QUANTITIES THROUGH THIRD PARTIES. IF THE UPCOMING PAK DELEGATION VISIT TO NEW DELHI SUCCEEDS IN SELLING SOME COTTON IT WOULD BE THE FIRST OFFICIAL TRADE DEAL BETWEEN THE TWO COUNTRIES SINCE RE-ESTABLISHMENT OF BILATERAL TRADING RELATIONS IN NOVEMBER THIS YEAR. SOME SOURCES HAVE MENTIONED POSSIBLE SALES AS LARGE AS 200,000 BALES BUT WE BELIEVE A SMALLER AMOUNT MORE LIKELY. IF SUCH A SALE OCCURS, IT WOULD BE BENEFICIAL TO BOTH SIDES AS PAKISTAN WOULD REDUCE ITS EXPORTABLE SURPLUS OF COTTON IN A TIGHT WORLD MARKET AND INDIA WOULD OBTAIN NECESSARY RAW MATERIALS

TO KEEP DOMESTIC INDIAN TEXTILE INDUSTRY IN OPERATION. ON BALANCE, WE BELIEVE THAT ECONOMIC LOGIC WILL PREVAIL OVER ANY OTHER CONSIDERATIONS AND THAT INDIA WILL PURCHASE A SIZEABLE AMOUNT OF PAKISTANI COTTON. END LIMITED OFFICIAL USE.
TIGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LIBERALIZATION, FOREIGN TRADE, MEETINGS, TRADE VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KARACH02565
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740374-0850
From: KARACHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741210/aaaaailv.tel
Line Count: 144
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 NEW DELHI 16104
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by shawdg>; APPROVED <19 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN COTTON DELEGATION VISITS PAKISTAN
TAGS: EPAP, ETRD, PK, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005